INPUT®

Information Systems Industry

Systems Operations: Growth for the 1990s

- A New Study
- Available October 1989

Systems Operations: Growth for the 1990s

In July 1989, Kodak announced it had signed a systems operations contract for IBM to manage its information systems facilities. During the last year EDS signed systems operations contracts with five large oil and gas production companies. These events are just the beginning of renewed systems operations growth that INPUT predicts will occur over the next decade.

The most significant and exciting development in the information systems industry during the 1980s was the introduction of **systems integration** to the commercial market place. INPUT predicted this trend in 1984 and now it is projecting that "Systems Operation" will be the next significant development that will build on systems integration to change the character of the information services industry during the 1990s.

Seldom has an offering been as widely accepted by vendors and customers as systems integration during the latter half of the 1980s. Vendors from all information industry disciplines—hardware suppliers, software suppliers, and professional services firms—recognized the need to participate in system integration to protect their client base and increase revenues. Today most of these vendors offer systems integration to satisfy their clients' needs and to be recognized as **full-service providers**.

During the last year, the two systems integrators that led the commercial market in 1988 revenues—IBM and Andersen Consulting—entered the systems operation market. The actions of IBM and Andersen Consulting clearly declare to information industry vendors and the user community that "Systems Operation" will be a driving force of the 1990s systems market. Vendors are prepared to vie aggressively to build, manage, and operate information processing solutions for their clients and prospects. Again, the definition of **full service provider** has expanded to include vendors who have added systems operation to their menu of offerings.

SYSTEMS OPERATION: GROWTH FOR THE 1990s

Based on its experience and leadership in projecting and forecasting the information services market, INPUT is producing the report *Systems Operation: Growth for the 1990s* to explore and discuss the major forces driving the new developments in systems operation. Through surveys of users and vendors, the study will:

- Forecast systems operation market size and growth from 1989 to 1994
- Identify the drivers that will influence the forecast of this market's growth
- Examine the major factors that cause an organization to consider and/or use a systems operation vendor
- Highlight the benefits and disadvantages of contracted systems operations to the end user and information system organizations
- Determine the impact of systems-integration-developed solutions on prospects for systems operation contracts
- Examine the financial impact of systems operations on user/buyer costs and vendor revenues and profits
- Identify advantages to the vendor in offering a complete solution, including system integration and systems operation.
- Determine whether vendors design and develop systems differently when vendors expect to operate the systems.
- Identify both vendors' and users' risks of systems integration/systems operation contracts

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Systems Operations: Growth for the 1990s

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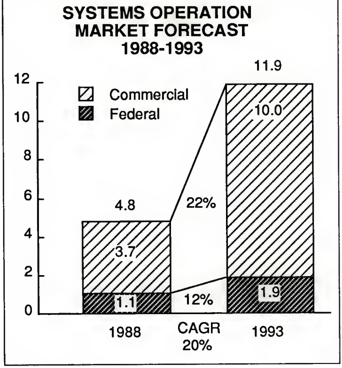
YOU SHOULD READ THIS REPORT IF YOU ARE:

- A Hardware, Software, or Professional Services Vendor Executive or Manager
  - Participating in or considering entering the systems integration and/or systems operation markets
  - Responsible for information services strategy development
  - Responsible for information services market development
- An Information System User or Buyer:
  - Considering use of a systems integrator to develop, implement, and operate an information, network, or automation system
  - Desiring reduction of the amount of management and professional resources dedicated to making information systems operation decisions
  - Considering use of a systems operations firm to manage and operate an existing information system.

TOTAL U.S. SYSTEMS OPERATION MARKET SHARE BY REVENUE, 1988		
Rank	Vendor	Market Share Percent
1	EDS/GM	16
2	Computer Science Corporation	5
3	McDonnell Douglas	4
4	Shared Medical Systems	3
5	Boeing Computer Services	3
6	Systematics	3



SYSTEMS OPERATION: GROWTH FOR THE 1990s

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About INPUT

INPUT provides planning information, analysis, and recommendations to managers and executives in the information processing industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

Continuous-information advisory services, proprietary research/consulting, merger/acquisition assistance, and multiclient studies are provided to users and vendors of information systems and services (software, processing services, turnkey systems, systems integration, professional services, communications, systems/software maintenance and support).

Many of INPUT's professional staff members have more than 20 years' experience in their areas of specialization. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

Formed as a privately held corporation in 1974, INPUT has become a leading international research and consulting firm. Clients include more than 100 of the world's largest and most technically advanced companies.

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Major Industry Change for the 1990s

What was the most significant news item in the computer industry in the July 26th issue of the Wall Street Journal? It was not Microsoft's earnings, nor Businessland's personal computer market projection, nor IBM's problems with its disk drives, nor Hewlett-Packard's agreement with Fujitsu, nor Cray's announcement of revenue declines, nor Data General's losses, nor CDC's $497 million loss.

It was IBM's announcement of its system operations contract with Kodak.

Just as in 1984 when INPUT said that "Systems Integration" would change the industry, now we project that "Systems Operations" will change the face of the industry in the 1990s. IBM and other companies will provide the computer/ communications operations infrastructure for organizations. Sometimes this will include applications support as in traditional facilities management, often not.

What will this mean to you? And how should your company respond?

Just as with systems integration (and systems integration and systems operations are linked!), you can examine IBM's "new" direction and the general market conditions from INPUT's research. Attached is a description of a current report that analyzes the dramatic industry dislocation.

Order it today so you can develop your plans accordingly.

Yours sincerely,

Peter A. Cunningham
President

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